Beyond the Myths: Misinformation and Its Effect on Taxpayer Behaviour

Alexander Oluka
olukaam@gmail.com
Europa-Universität Viadrina, Frankfurt (Oder), Germany

https://doi.org/10.51137/ijarbm.2024.5.1.5

Abstract – The study investigates the impact of misinformation on taxpayers’ tax compliance behaviour, aiming to uncover the psychological and economic repercussions on citizens. Employing a qualitative research methodology, the study conducted interviews with eight participants, followed by a thematic analysis to identify prevailing themes in taxpayer responses to misinformation. The findings reveal that misinformation significantly influences taxpayer behaviour, leading to stress, mistrust of tax authorities, and subsequent non-compliance. Analysis of the interview data highlighted the role of digital platforms in spreading misinformation, the susceptibility of newer businesses and younger taxpayers, and the erosion of trust and tax morale as critical factors affecting compliance behaviour. The study underlines the broader implications of misinformation on the tax system’s integrity and the fiscal relationship between taxpayers and authorities, calling for strategies to enhance information dissemination and taxpayer education to bolster compliance and trust.

Keywords – Misinformation, Taxpayer, Tax Compliance, Tax morale, Stress, Trust.

1 Background

Tax compliance has been a subject of scholarly interest for several decades. The seminal work of Allingham and Sandmo (1972) laid the foundation for understanding tax compliance as a decision-making process influenced by factors such as penalties, audit probabilities, and personal ethics. This economic model has been instrumental in shaping subsequent research in the field (Slemrod, 2007). However, studies on the influence of misinformation on tax compliance are still in the early stages. Tax compliance refers to fulfilling all tax obligations prescribed by law within the specified time frame (Gangl & Torgler, 2020). This includes accurately reporting income, claiming legitimate deductions and credits, and paying the correct taxes owed to the government. Compliance behaviour encompasses both voluntary adherence to tax laws and the avoidance of illegal practices such as tax evasion and fraud. Tax compliance reflects a taxpayer’s willingness to operate within the legal and regulatory frameworks set forth by tax authorities. Studies on tax compliance have evolved from solely economic models to more complex strategies that consider sociological, psychological, and legal viewpoints (Kirchler, 2007). The emergence of digital platforms and the proliferation of information sources have added complexity to the tax compliance landscape, necessitating a re-evaluation of traditional models. However, studies have not explored the intersection of misinformation and tax compliance. This new direction in research acknowledges the complex nature of tax compliance and the need for an interdisciplinary approach that considers the broader information ecosystem. Thus, this study seeks to understand how taxpayers’ compliance behaviour is influenced by misinformation.

1.1 Misinformation

Misinformation refers to false or inaccurate information that is spread, regardless of an intention to deceive (Lewandowsky et al., 2020). Unlike disinformation, which is deliberately designed to mislead, misinformation can arise from misunderstandings, misinterpretations, or mistakes in the dissemination of information. It can encompass a wide range of content, from rumours and hoaxes to errors in news reports and social media posts. Misinformation can significantly impact public opinion and behaviour, leading to confusion, mistrust, and decision-making that is not based on accurate information (Southwell et al., 2018).

Misinformation about taxes can originate from a variety of sources, including the media, social networks, and government agencies. The proliferation of digital platforms has exacerbated the spread of misinformation, making it a critical concern for tax authorities (Walter & Murphy, 2018). The media's role in disseminating misinformation has been well-documented in various contexts, including politics and health (Wardle & Derakhshan, 2017). Media outlets may inadvertently and intentionally spread misinformation about taxation, influencing public perceptions and behaviour.

Beyond the Myths: Misinformation and Its Effect on Taxpayer Behaviour
Social networks have become platforms for the spread of misinformation, with algorithms often amplifying false and misleading content (Vosoughi et al., 2018). The viral nature of social media platforms can lead to rapid dissemination of misinformation, creating challenges for tax authorities in managing public perceptions and compliance. Governmental agencies may also be sources of misinformation, whether through errors, ambiguities in communication, or deliberate manipulation (O’Connor & Weatherall, 2019). The integrity and credibility of tax authorities are essential for fostering compliance (Sebele-Mpofu, 2020). However, misinformation from official sources can erode trust and undermine compliance efforts.

2 Mechanisms of Misinformation Spread

2.1 Digital Platforms

Digital platforms have emerged as a central conduit for the dissemination of misinformation. Vosoughi et al. (2018) conducted an extensive study on Twitter, revealing that false information spreads more rapidly and broadly than correct information. They attributed this phenomenon to the novelty and emotional reactions elicited by false information, which resonates with users’ cognitive biases and social motivations. Gradoń et al. (2021) suggest that the rapid spread of false information via digital platforms exacerbates the challenge of controlling misinformation in an increasingly connected world. The allure of sensational and emotionally stimulating content directly influences human tendencies to engage with and share information that evokes a strong emotional response. As a result, tax authorities and policymakers face an uphill battle to ensure that accurate, reliable tax information reaches the public amidst a myriad of misleading narratives.

Weber and Neumann (2021) further explored the role of algorithms and user behaviour in amplifying false content on social media. They identified that recommendation algorithms often prioritise engaging content, inadvertently promoting misinformation. The interplay between user behaviour and platform design creates a feedback loop that can exacerbate the spread of false narratives (Sunstein, 2017). The implications of digital platforms in spreading misinformation extend beyond social media to include websites, forums, and messaging apps. The decentralised and interconnected nature of digital platforms facilitates the rapid dissemination of misinformation, challenging traditional gatekeeping mechanisms (Marwick & Lewis, 2017).

2.2 Echo Chambers

Echo chambers refer to the phenomenon where individuals are exposed to information that aligns with their existing beliefs, reinforcing pre-existing convictions and contributing to the polarisation of opinions (Sunstein, 2017). The concept of echo chambers is integral to understanding the spread of misinformation. Del Vicario et al. (2016) empirically demonstrated that echo chambers

Beyond the Myths: Misinformation and Its Effect on Taxpayer Behaviour
play a significant role in the spread of both scientific and conspiracy narratives on Facebook. They found that users tend to consume and share information within homogeneous, polarised communities, reinforcing and amplifying misinformation.

Cognitive biases, such as confirmation bias, contribute to selective exposure and acceptance of information (Metzger et al., 2020). Moreover, social factors, including group identity and social norms, further reinforce echo chamber effects (Cinelli et al., 2021). The dynamics of echo chambers are influenced by cognitive, social, and technological factors. Addressing the challenges of echo chambers requires an understanding of the underlying mechanisms and targeted interventions. Strategies may include promoting media literacy, fostering diversity of information sources, and encouraging critical thinking (Cinelli et al., 2021). Technological interventions, such as algorithmic adjustments to promote diverse content, may also mitigate the echo chamber effect (Vosoughi et al., 2018).

2.3 Cognitive Biases

Cognitive biases are fundamental to the spread of misinformation by influencing how individuals perceive, process, and respond to information. Lewandowsky et al. (2012) explored the continued influence effect, where misinformation persists even after correction. They linked this effect to cognitive processes such as source monitoring errors and mental models, which make retraction difficult. Additionally, Kunda (1990) discussed motivated reasoning, where individuals selectively process information to align with their desires or beliefs. The bias can further facilitate the acceptance of misinformation, as individuals are more likely to embrace information that confirms their pre-existing views (Sunstein, 2017).

The interplay between cognitive biases and misinformation is complicated and influenced by individual differences, context, and content characteristics. Factors such as education, political ideology, and emotional engagement can modulate the impact of cognitive biases on the acceptance and spread of misinformation (Walter & Murphy, 2018). Understanding and addressing the role of cognitive biases in the spread of misinformation requires an interdisciplinary approach.

2.4 The impact of misinformation

2.4.1 Taxpayer behaviour

The influence of misinformation is a phenomenon that permeates beyond individual and collective behaviour. Walter and Murphy (2018) conducted a comprehensive meta-analysis on the correction of misinformation, revealing that false information continues to influence judgments and decisions even after being corrected. The persistence of misinformation's influence is attributed to cognitive processes that make retraction difficult, such as source confusion and the continued influence effect (Lewandowsky et al., 2012). The persistent effect of misinformation, even in the face of correction, reveals the
complex challenge it poses to informed decision-making and trust in authoritative sources. This phenomenon indicates a deep-rooted issue within information processing mechanisms, suggesting that mere correction is insufficient to dispel the influence of false narratives.

Misinformation about taxes can distort perceptions and lead to non-compliance and suboptimal decisions. Slemrod (2007) explored the economics of tax evasion and highlighted how incorrect information can lead taxpayers to miscalculate risks and benefits, resulting in economically irrational choices. The influence of misinformation on taxpayers' behaviour is not a matter of individual decision-making but extends to the collective behaviour of groups, communities, and organisations. The collective influence of misinformation can foster a culture where tax evasion becomes justifiable due to widespread myths about the tax system's fairness. Engaging with cognitive aspects can provide a more robust defence against the subtle, lingering effects of misinformation on taxpayer behaviour and societal trust.

2.4.2 Public Trust

The erosion of trust due to misinformation is a critical concern with far-reaching implications. Marwick and Lewis (2017) examined media manipulation and disinformation online, highlighting the potential damage to public trust in institutions, including government, media, and scientific organisations. The spread of false information can undermine confidence in authoritative sources, leading to scepticism, cynicism, and disengagement (Lewandowsky et al., 2017).

In the context of taxes, compliance and tax morale are dependent upon public confidence in tax authorities. Murphy (2017) argues that the erosion of trust in tax authorities undermines voluntary compliance and necessitates increased enforcement efforts. The relationship between trust and compliance is complex, mediated by perceived fairness and transparency (Kogler & Kirchler, 2020). Rebuilding trust in the face of misinformation requires concerted efforts by governments, media, and civil society. Transparency, accuracy, and responsiveness in communication are key to restoring confidence (Sunstein, 2017). Furthermore, collaborative initiatives that engage stakeholders and promote media literacy and critical thinking may also counter the erosion of trust (Khan, 2020). The challenge of tax noncompliance has been recognised by authorities, who have tirelessly sought methods to enhance compliance with limited success. The decision-making process of taxpayers regarding compliance is not solely based on their evaluation of economic factors such as income, likelihood of audit, and potential penalties. It also hinges on their perceptions of moral obligation and expectations of others' actions.

2.4.3 Economic Implications

Misinformation can have significant economic implications for taxpayers, influencing their financial decisions and behaviours in detrimental ways. When individuals are misinformed about aspects of tax laws, such as deductions or credits, they might either overpay their taxes due to an unwarranted fear of non-compliance or underpay because of misplaced confidence in incorrect

Beyond the Myths: Misinformation and Its Effect on Taxpayer Behaviour
filing strategies (Dezső et al., 2022). This results in inefficient tax planning and financial management, with taxpayers potentially missing out on savings or incurring unnecessary risks. Additionally, incorrect information about the likelihood of audits and the severity of penalties can lead taxpayers to take unnecessary or harmful steps to avoid perceived threats, leading to financial decisions that may not align with their best interests (Slemrod, 2019). The aggregate effect of these individual inefficiencies can lead to broader economic consequences, disrupting resource allocation within the economy and possibly impeding economic growth.

From a macroeconomic perspective, misinformation can erode the integrity of the tax system, leading to reduced compliance rates and directly impacting government revenue. This reduction in revenue can have ripple implications for public spending, potentially necessitating cuts in vital public services or requiring increases in taxes to offset revenue shortfalls (Tideman et al., 2023). Such outcomes can place an additional financial burden on compliant taxpayers but can also engender a cycle of mistrust and further non-compliance, as the tax system is perceived as unfair or inefficient. Furthermore, the resources that tax authorities expend to counter misinformation and ensure compliance represent an opportunity cost, diverting funds from other potential uses. Thus, the economic implications of misinformation extend beyond individual taxpayers, potentially affecting the broader economic stability and social welfare of the entire community or nation.

3 Methodology

The study adopted a qualitative methodology to explore the effects of misinformation on taxpayer behaviour. The methodological approach prioritises depth and context in understanding the phenomenon. By conducting interviews with eight participants, the researcher gathered rich, detailed insights into how misinformation influences individuals' tax compliance decisions. This approach is suited to exploring the subjective experiences and perceptions that underlie taxpayer behaviours, allowing for a deeper understanding of the motivations, beliefs, and responses to misinformation among taxpayers. Thematic analysis was employed to systematically identify, analyse, and report patterns (themes) within the data (Braun & Clarke, 2022), facilitating a comprehensive examination of the myriad ways in which misinformation can impact taxpayer behaviour. This methodological choice shows the complexity of the issue, enabling the researcher to uncover the varied and subtle ways in which misinformation can shape individuals' attitudes towards tax compliance.

The use of thematic analysis is pertinent as it allows for the extraction of significant themes related to misinformation and tax compliance from the qualitative data obtained through interviews. This analytical technique is instrumental in revealing how misinformation perpetuates certain narratives among taxpayers. By analysing the interview data for recurring themes, the researcher could identify common threads in taxpayers’ experiences with
misinformation, such as the sources of misinformation they encounter, their reactions to it, and its implications for their compliance behaviour.

4 Results and discussion

4.1 Taxpayer behaviour

Misinformation in taxation can act as a powerful determinant of taxpayer behaviour, often leading to unintended consequences. When taxpayers are exposed to incorrect or misleading narratives about tax regulations, benefits, or penalties, it can influence their understanding and subsequent actions. For instance, if taxpayers are misinformed about certain deductions they believe they are entitled to, they might claim them erroneously, leading to unintentional non-compliance. Conversely, misinformation about potential penalties or audits might lead taxpayers to overpay or refrain from claiming legitimate deductions out of fear. In both scenarios, misinformation distorts the taxpayer’s ability to make informed decisions, potentially leading to financial repercussions and a skewed perception of the tax system’s fairness.

“Misinformation can create unrealistic expectations and result in financial strain when the reality becomes apparent…for example, in 2021, information circulated that due to the COVID-19 pandemic, all individual taxpayers would receive a significant tax rebate… misinformation often arises from a mix of wishful thinking and misinterpretations of government relief measures, especially during crisis periods” (PA).

Misinformation can have a substantial impact on taxpayer compliance behaviour by distorting their understanding and perception of the tax system. In an age when information is easily accessible via multiple digital platforms, distinguishing between correct and false information becomes increasingly difficult (Molina et al., 2021). Misinformation can take many forms, including false beliefs about tax rates, exemptions, benefits, and the implications of noncompliance. When taxpayers are exposed to such misinformation, they may develop misconceptions about the fairness and efficacy of the tax system, leading to doubt about the legitimacy of tax obligations. For example, if taxpayers are misled into believing that tax evasion is widespread and rarely punished, they may be more likely to engage in non-compliant behaviour (Yong & Fukofuka, 2023). This leads taxpayers to erroneously think that it is a normative and low-risk activity.

Furthermore, misinformation has a significant psychological influence on the public. Misinformation can generate a sense of mistrust of tax authorities by affecting taxpayers’ willingness to comply voluntarily. This loss of trust is damaging because trust in tax authorities is an important component of tax morale and the innate incentive to pay taxes (Batrancea et al., 2019). Taxpayers who believe the tax system is unfair or that their taxes are being misused are less likely to see the value in complying, regardless of the objective facts (Kiow et al., 2017). Furthermore, the spread of misinformation can create a climate of uncertainty and confusion, leaving taxpayers more vulnerable to
impulsive decisions, such as claiming unnecessary deductions or omitting to disclose income. Combating misinformation is therefore critical for ensuring correct public knowledge, protecting the integrity of the tax system and encouraging compliance.

4.2 Psychological implications

The deceptive nature of misinformation rests in its ability to act as the truth, misleading even those who usually comply with their tax obligations. Individuals may selectively process information that aligns with their beliefs, leading to biased judgments (Camaj, 2019). In the context of taxation, this may manifest in accepting misinformation that supports a particular ideological stance or financial interest (Sunstein, 2017). Taxpayers rely on accessible information to influence their decisions and ensure compliance with regulations, thereby lowering the risk of penalties. When this information is tainted with inaccuracies, it can induce a sense of panic and stress. This heightened emotional state can cloud judgment, prompting taxpayers to make impulsive decisions without fully understanding the implications.

“There was a rumour that the government was planning a one-time wealth tax on high-net-worth individuals to fund pandemic relief efforts. The wealth tax rumour led to panic among affluent taxpayers, with some considering off-shoring assets or seeking tax avoidance strategies. Such misinformation can lead to stress and rash decisions, potentially affecting the broader economy as capital gets moved or shielded based on unfounded fears” (PB).

The finding indicates that misinformation can lead to stress and rash decisions by taxpayers. The implications of misinformation on taxpayers have significant psychological and behavioural repercussions. Misinformation can foster a climate of confusion and fear among citizens (Mihailidis & Foster, 2021). When individuals are misinformed about their tax obligations, it can lead to heightened stress levels. This stress, coupled with the fear of potential financial repercussions, can cause taxpayers to make impulsive decisions. Such hurried actions, driven by misinformation, jeopardise their financial well-being and can lead to unintended non-compliance, further compounding their anxieties. In essence, misinformation disrupts the equilibrium of informed decision-making, replacing it with stress-induced, often counterproductive behaviours.

Misinformation can induce stress and anxiety among taxpayers due to the uncertainty and confusion it creates regarding tax obligations and penalties. The increased stress can impair cognitive functioning, leading to impulsive actions (Girotti et al., 2018). Thus, impaired cognitive functioning may cause taxpayers to ignore legitimate deductions or fail to accurately declare income in an attempt to navigate perceived inequality in the tax system. Furthermore, dealing with misinformation could heighten taxpayers’ fears of punitive actions by tax authorities, complicating their decision-making process. These findings show the deep psychological and behavioural consequences of misinformation for taxpayers.
4.3 Implications on Public Trust

Trust is a crucial element in the relationship between taxpayers and the institutions that oversee tax collection. Tax compliance and morale are significantly influenced by trust in the government (Oluka et al., 2021). When taxpayers believe they are receiving accurate and transparent information, they are more likely to comply with tax regulations. However, if taxpayers are exposed to false information about the tax system, the trust between taxpayers and the receiver of revenue may be eroded. This can lead to scepticism about where their tax money is going, how it's being used, or even the legitimacy of the tax amounts they are asked to pay.

“In my view, misinformation has a profound impact on taxpayer trust. If taxpayers are led to believe inaccurately that they are being taxed more heavily or unfairly compared to their counterparts, it can lead to feelings of being taken advantage of, and taxpayers might try to find a creative way not to pay taxes, like engaging in cash sales to eliminate the paper trail” (PD).

When trust in the tax system diminishes, broader societal implications can arise. A decrease in trust can lead to reduced tax compliance, as individuals may become hesitant to pay or seek ways to evade tax. This can result in significant revenue losses for the government, affecting public services and infrastructure projects. Additionally, a general atmosphere of mistrust can make it harder for tax authorities to implement new policies as the public might be resistant and doubtful of new initiatives. Gebrihet, Gebresilassie and Woldu (2023) highlighted that a decline in trust can lead to increased tax evasion, which in turn results in revenue losses for the government. This sentiment was echoed by Mendoza et al. (2017), who argued that when taxpayers perceive the tax system as unjust, primarily due to misinformation, they might resort to non-compliance as a form of protest. In essence, while misinformation might seem like just incorrect information on the surface, its ripple effects can significantly impact the functioning of the entire tax system and the relationship between taxpayers and authorities.

4.4 Economic implications

Misinformation can have tangible economic repercussions for both taxpayers and receivers of revenue. When individuals act based on misleading information regarding tax regulations, they inadvertently expose themselves to the risk of non-compliance. Taxpayers’ non-compliance can result in penalties and fines imposed by tax authorities. Penalties and fines represent an unexpected financial burden and can disrupt the financial planning and stability of the business. Over time, repeated instances of non-compliance due to misinformation can accumulate, leading to substantial economic strain. Moreover, rectifying these mistakes might involve legal consultations and additional administrative costs, further exacerbating the taxpayer's financial implications.

“I had clients who intentionally deferred payments because there was information circulating that SARS was going to grant tax amnesty for tax evaders, only to be hit with penalties… misinformation of this nature affects individual

Beyond the Myths: Misinformation and Its Effect on Taxpayer Behaviour
taxpayers and can strain the national revenue collection, leading to broader economic implications” (PC).

Penalties and interests due to misinformation-induced noncompliance can result in additional compliance costs for taxpayers. The introduction of penalties for tax noncompliance acts as a direct financial deterrent, encouraging adherence to tax regulations. These penalties lower the taxpayer’s profits by imposing a financial burden in addition to the outstanding taxes. The rationale for this method is to make non-compliance less appealing financially than compliance by ensuring that the risk of being found evading taxes surpasses any potential advantage from evasion. The impact of penalties on profits can be substantial, affecting the immediate financial position of the taxpayer as well as their future financial planning and investment capacity. The use of penalties also has implications for taxpayer attitudes towards the tax system (Rahmayanti & Prihatiningtias, 2020). Imposing penalties for illegal tax activities could trigger negative reactions from taxpayers. High penalties can foster a perception of the tax authority as punitive rather than supportive, potentially eroding trust and willingness to comply.

Non-compliance with the tax regulations means that the government is not receiving the tax revenue it is owed. The shortfall in revenue collection can be significant, especially if misinformation is widespread and affects a large segment of taxpayers. Reduced revenue collection can hamper the government's ability to fund essential public services, infrastructure projects, and other developmental initiatives (Chapman, 2021). Furthermore, the administrative costs associated with enforcing penalties and pursuing non-compliant taxpayers due to misinformation can be significant. These costs include the financial resources required to investigate and prosecute cases of non-compliance and the potential social costs of creating an adversarial relationship between taxpayers and the tax authority. In the long run, persistent non-compliance, driven by misinformation, can strain the nation’s fiscal health and impede economic growth and development.

4.5 Tax morale

Tax morale, the intrinsic motivation of taxpayers to comply with tax obligations, is a delicate sentiment created by a myriad of factors ranging from personal beliefs to external influences. Misinformation stands as a potent external factor with the capacity to influence tax morale. When taxpayers are exposed to false or misleading narratives about the tax system, its fairness, or its operations, it can create doubt and mistrust. For instance, if misinformation leads taxpayers to believe that a significant portion of the population is evading taxes without repercussions, it might demotivate compliant taxpayers from fulfilling their obligations. The rationale being, why should they comply when others seemingly do not. Misinformation can also distort perceptions about the use of tax revenues, leading taxpayers to question the benefits of their contributions, further dampening their morale.

“In my opinion, when taxpayers are exposed to false narratives, it can lead to scepticism and disillusionment. For instance, if there is a widespread belief, Beyond the Myths: Misinformation and Its Effect on Taxpayer Behaviour
however unfounded, that tax revenues are being misappropriated or not used for public welfare… it can diminish the intrinsic motivation to pay taxes… remember South Africa has a complex socio-political history, and any misinformation can tap into existing sentiments of mistrust, further affecting taxpayer morale…I do not know how the Phala Phala saga will affect the citizens’ tax compliance behaviour” (PA).

A decline in tax morale, driven by misinformation, has broader implications beyond individual compliance, affecting the social fabric and the very functioning of the tax system. Tax morale is influenced by factors such as the perceived fairness of the tax system, trust in government, and beliefs about how tax money is utilised (Andriani et al., 2022). Misinformation can erode this morale by distorting taxpayers’ perceptions and beliefs, leading to extensive consequences. Trust among citizens and the state forms the cornerstone of a functioning tax system. Misinformation can undermine this trust, leading to a society where scepticism towards public institutions and governance prevails. Thus, erosion of trust can make taxpayers more reluctant to comply due to personal cost-benefit analysis and a broader distrust in the system’s integrity (Di Gioacchino & Fichera, 2020).

When misinformation leads to a decline in tax morale, it can alter social norms and make non-compliance more socially acceptable. This change can create a vicious cycle, where the normalisation of evasion encourages further non-compliance and weakens the effectiveness of tax systems. Therefore, this results in revenue shortfalls for the government but also places an additional administrative burden on tax authorities to address and rectify these instances. Persistent erosion of tax morale can undermine the very foundations of the tax system, necessitating proactive measures to restore trust and motivation among taxpayers.

4.6 Susceptible to misinformation.

Newer businesses and younger taxpayers, often navigating the complexities of the tax system for the first time, are inherently more vulnerable to misinformation. Their relative inexperience with tax regulations, combined with a potential lack of established channels for reliable information, makes them prime targets for misleading narratives. New businesses, in their nascent stages, are often focused on growth, operations, and market establishment. In this phase, they might not have the resources and expertise to discern accurate tax information from misinformation. Similarly, younger taxpayers, who might be filing taxes independently for the first time, may not have the experiential knowledge to identify and counteract false information. Their reliance on digital platforms, where misinformation can spread rapidly, further exacerbates their susceptibility.

“In my experience, newer businesses and younger taxpayers, who might not yet be familiar with the intricacies of the tax system, can be more susceptible to misinformation” (PE).

The ability to identify false and correct information is a challenging task, considering the amount of information circulating from different media.
platforms. The effects of misinformation on these groups are diverse. Newer businesses acting on false tax information can lead to penalties and even reputational damage, especially when this information is shared on social media. It can divert crucial resources away from business growth to address costs associated with tax compliance due to misinformation-induced non-compliance. For younger taxpayers, misinformation can lead to non-compliance, resulting in penalties and missed opportunities for tax benefits if they cannot get a tax clearance certificate. Moreover, early experiences with the tax system play a pivotal role in shaping long-term tax behaviour. If their initial interactions with tax issues is marred by misinformation and subsequent challenges, it can lead to a lasting mistrust of the tax system. Over time, the mistrust can translate into systemic non-compliance, highlighting the importance of providing accurate and accessible tax information to these demographics.

5 Conclusion

The intricate relationship between misinformation and taxpayer behaviour has emerged as a focal point of this study. Our findings highlight the impact misinformation has on the morale, trust, and compliance behaviour of taxpayers. Particularly, newer businesses and younger taxpayers, with their relative inexperience in navigating the tax landscape, are more prone to the pitfalls of misinformation. This vulnerability has immediate financial implications but also long-term effects on their relationship with the tax system. The broader societal implications, from reduced revenue for governments to the administrative burdens of addressing non-compliance, further highlight the gravity of the issue.

Misinformation, especially in the digital age, spreads rapidly, making its containment and correction a formidable challenge. However, its effects are not just transient; they have the potential to reshape the very dynamics between taxpayers and fiscal authorities. A decline in tax morale, driven by misinformation, can lead to systemic patterns of non-compliance, eroding the fiscal foundation of a nation. Moreover, the study's finding that misinformation can lead to tangible economic repercussions, both for individual taxpayers in the form of penalties and for governments in the form of lost revenue, underscores the urgency of addressing this issue.

Tax authorities should enhance communication through clear, multi-channel campaigns and educational programs aimed at vulnerable groups, such as young individuals and new businesses, to improve tax compliance knowledge and critical evaluation of information. Additionally, establishing partnerships with digital platforms to curb the spread of misinformation and launching direct feedback mechanisms can facilitate real-time clarification and rebuild taxpayer trust. Future research should aim to quantify the economic impact of misinformation on tax compliance to better understand the scale of its implications. Additionally, studies exploring the psychological mechanisms through which misinformation influences taxpayer behaviour could provide deeper insights into effective countermeasures. Moreover, comparative
studies across different jurisdictions could reveal cultural or systemic factors that may affect the susceptibility to misinformation and compliance behaviour.

6 References


Beyond the Myths: Misinformation and Its Effect on Taxpayer Behaviour


Beyond the Myths: Misinformation and Its Effect on Taxpayer Behaviour


